

COUNTY OF SALEM, STATE OF NEW JERSEY

SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

December 31, 2017

COUNTY OF SALEM, STATE OF NEW JERSEY

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INDEPENDENT AUDITORS' REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

To the Honorable Freeholder Director and
Members of the Board of Chosen
Freeholders of the County of Salem,
State of New Jersey

Report on Schedules of Expenditures of Federal Awards and State Financial Assistance

We have audited the accompanying schedules of expenditures of federal awards and state financial assistance (the "schedules") of the County of Salem, State of New Jersey ("County"), for the year ended December 31, 2017, and the related notes to the schedules of expenditures of federal awards and state financial assistance.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with the requirements of audit as promulgated by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"); the State of New Jersey Circular Letter 15-08-OMB; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedules.

**INDEPENDENT AUDITORS' REPORT ON SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)**

Auditors' Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note B of the schedules, the schedules are prepared by the County on the basis of the financial reporting provisions of the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey.

The effects on the schedules of the variances between the regulatory basis of accounting described in Note B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the schedules referred to above do not present fairly, the expenditures of federal awards and state financial assistance, in accordance with accounting principles generally accepted in the United States of America, for the year ended December 31, 2017.

Opinion on Regulatory Basis of Accounting

In our opinion, the schedules referred to above present fairly, in all material respects, the expenditures of federal awards and state financial assistance, for the year ended December 31, 2017, in accordance with the financial reporting provisions described in Note B.

Mercadon, P.C.

Certified Public Accountants

January 28, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY UNIFORM GUIDANCE AND STATE OF NEW JERSEY CIRCULAR LETTER 15-08-OMB

To the Honorable Freeholder Director and
Members of the Board of Chosen
Freeholders of the County of Salem,
State of New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the County of Salem, State of New Jersey's (the "County") compliance with the types of compliance requirements described in the OMB Compliance Supplement and the New Jersey OMB State Grant Compliance Supplement that could have a direct and material effect on each of the County's major federal and state programs for the year ended December 31, 2017. The County's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedules of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"); and the State of New Jersey Circular Letter 15-08-OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid ("Circular Letter 15-08-OMB"). Those standards, Uniform Guidance and Circular Letter 15-08-OMB require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the County's compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY UNIFORM GUIDANCE AND STATE OF NEW JERSEY CIRCULAR LETTER 15-08-OMB (CONTINUED)

Basis for Qualified Opinion on Area Plan Grant

As described in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding CFDA 93.045 Area Plan Grant as described in findings 2017-003 and 2017-004. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Area Plan Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 93.045 Area Plan Grant for the year ended December 31, 2017.

Unmodified Opinion on Each of the Other Major Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and the Circular Letter 15-08-OMB, and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 through 2017-004. Our opinion on each major federal and state program is not modified with respect to these matters.

The County's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program, and to test and report on internal control over compliance in accordance with Uniform Guidance and Circular Letter 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY UNIFORM GUIDANCE AND STATE OF NEW JERSEY CIRCULAR LETTER 15-08-OMB (CONTINUED)

Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of current year findings and questioned costs as findings 2017-001 through 2017-004 to be material weaknesses.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and Circular Letter 15-08-OMB. Accordingly, this report is not suitable for any other purpose.

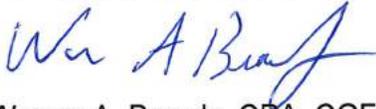
Report on Schedules of Expenditures of Federal Awards and State Financial Assistance Required by Uniform Guidance and New Jersey Circular Letter 15-08-OMB

We have audited the financial statements-regulatory basis of the various funds and account group of the County as of and for the year ended December 31, 2017, and the related notes to financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated September 6, 2018, which contained a qualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Uniform Guidance and Circular Letter 15-08-OMB, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE REQUIRED BY UNIFORM GUIDANCE AND STATE OF NEW JERSEY CIRCULAR LETTER 15-08-OMB (CONTINUED)

Report on Schedules of Expenditures of Federal Awards and State Financial Assistance Required by Uniform Guidance and New Jersey Circular Letter 15-08-OMB (Continued)

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.



Warren A. Broudy, CPA, CGFM, PSA, CGMA
Registered Municipal Accountant
License No. 554

**MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

January 28, 2019

COUNTY OF SALEM, STATE OF NEW JERSEY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	State Account No./ Pass Through Number	Program or Award Amount	Grant Period		Cash Received	Passed-Through to Sub-recipients	2017 Expenditures	Cumulative Expenditures
				From	To				
U.S. Department of Agriculture									
Passed Through New Jersey Department of Agriculture									
Senior Farmers Market Nutrition Program	10.576	Unknown	\$ 500	7/1/16	9/30/16	\$ -	\$ -	\$ -	\$ 500
Senior Farmers Market Nutrition Program	10.576	Unknown	500	7/1/17	9/30/17	500	-	500	500
Crop Insurance Education in Targeted States	10.458	Unknown	175,646	7/1/17	6/30/18	-	-	81,484	31,289
Total U.S. Department of Agriculture			176,646			500	-	81,984	32,289
U.S. Department of Housing and Urban Development									
Passed Through New Jersey Department of Community Affairs									
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	2016-100-022-8020-078-F292-15SC-6120	300,000	1/1/16	12/31/17	20,692	-	262,217	266,517
Total U.S. Department of Housing and Urban Development			300,000			20,692	-	262,217	266,517
U.S. Department of Justice									
Passed Through New Jersey Department of Law and Public Safety									
Crime Victim Assistance	16.575	14-100-066-1020-142	59,346	10/1/15	9/30/16	46,674	-	-	58,088
Crime Victim Assistance	16.575	14-100-066-1020-142	107,783	12/06/16	12/05/17	71,820	-	93,067	227,796
Crime Victim Assistance	16.575	13-100-066-1020-142	111,556	12/06/14	12/05/15	-	-	24,353	163,798
State Criminal Alien Assistance Program	16.606	Unknown	12,600	7/1/15	6/30/16	-	-	1,661	10,937
Bulletproof Vest Partnership Program	16.607	Unknown	13,830	10/1/14	9/30/17	-	-	8,633	8,633
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-100-066-1020-364	3,648	1/15/17	1/14/18	-	-	2,736	2,736
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14-100-066-1020-364	154,971	7/1/16	6/30/17	154,971	-	71,514	71,514
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14-100-066-1020-364	130,786	7/1/17	6/30/18	-	-	54,213	54,213
HMEP Planning & Training	20.703	16-100-066-1200-703	16,700	9/30/15	9/30/16	5,917	-	-	-
Total U.S. Department of Justice			611,220			279,382	-	256,177	597,715
U.S. Department of Transportation									
Passed through South Jersey Transportation Planning Organization:									
Highway Planning and Construction	20.205	N/A	46,400	7/1/16	6/30/17	9,842	-	23,953	23,953
Highway Planning and Construction	20.205	Unknown	100,000	Project Completion		8,694	-	812,385	841,185
Highway Planning and Construction	20.205	Unknown	100,000	Project Completion		11,947	-	703,170	735,000
Highway Planning and Construction	20.205	Unknown	1,658,312	Project Completion		322,285	-	(51,500)	399,528
Highway Planning and Construction	20.205	15-DT-BLA-713	267,585	Project Completion		211,895	-	(10,690)	(10,690)
Highway Planning and Construction	20.205	17-DT-BLA-748	34,785	Project Completion		-	-	34,785	34,785
Highway Planning and Construction	20.205	2016-DT-BLA-FEP-424	150,005	7/5/16	7/5/19	-	-	75,374	75,374
Highway Planning and Construction	20.205	2015-DT-BLA-FEP-415	100,004	8/7/15	8/7/17	-	-	71,477	135,120
National Infrastructure Investments	20.933	DTMA1G12004	5,135,756	9/30/12	9/30/18	-	-	1,289,227	4,370,123
Passed Through New Jersey Transit									
Formula Grants for Rural Areas	20.509	Unknown	339,180	7/1/15	12/31/16	44,989	-	(35,653)	192,117
Formula Grants for Rural Areas	20.509	Unknown	235,154	1/1/17	12/31/17	-	-	146,018	146,018
Total U.S. Department of Transportation			8,167,180			609,652	-	3,058,546	6,942,513

COUNTY OF SALEM, STATE OF NEW JERSEY

Schedule A
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	State Account No./ Pass Through Number	Program or Award Amount	Grant Period		Cash Received	Passed- Through to Sub-recipients	2017 Expenditures	Cumulative Expenditures
				From	To				
U.S. Department of Environmental Protection									
Passed Through New Jersey Department of Environmental Protection									
Water Quality Management Planning	66.454	Unknown	244,000	7/1/12	7/1/14	18,750	-	-	275,086
Total U.S. Department of Environmental Protection			<u>244,000</u>			<u>18,750</u>	<u>-</u>	<u>-</u>	<u>275,086</u>
U.S. Department of Health and Human Services									
Passed Through New Jersey Department of Health and Senior Services									
Salem County Area Plan Grant	93.045	4275-100-046-4110-049-J004-6110	970,458	1/1/15	12/31/15	-	-	(77,273)	893,818
Salem County Area Plan Grant	93.045	4275-100-046-4110-049-J004-6110	984,428	1/1/16	12/31/16	21,465	-	38,092	733,468
Salem County Area Plan Grant	93.045	4275-100-046-4110-049-J004-6110	840,804	1/1/17	12/31/17	288,306	-	710,620	710,620
Public Health Emergency Preparedness	93.069	100-046-4L04-360-J002-6120	257,797	7/1/16	6/30/17	244,554	-	161,326	244,554
Public Health Emergency Preparedness	93.069	100-046-4L04-360-J002-6120	265,340	7/1/17	6/30/18	56,346	-	75,362	75,362
Total U.S. Department of Health and Human Services			<u>3,318,827</u>			<u>610,671</u>	<u>-</u>	<u>908,127</u>	<u>2,657,822</u>
U.S. DEPARTMENT OF HOMELAND SECURITY									
Passed Through New Jersey Office of Homeland Security									
Homeland Security Grant Program	97.067	EMW-2013-SS-00032	100,000	9/1/15	8/31/18	53,740	-	61,275	157,853
Homeland Security Grant Program	97.067	EMW-2013-SS-00032	142,557	9/1/16	8/31/19	91,082	-	55,103	63,103
Homeland Security Grant Program	97.067	EMW-2013-SS-00032	164,578	9/1/17	8/31/20	17,500	-	95,256	103,256
Total U.S. Department of Homeland Security			<u>407,135</u>			<u>162,321</u>	<u>-</u>	<u>211,634</u>	<u>324,212</u>
Total Expenditures of Federal Awards			<u>\$ 13,225,008</u>			<u>\$ 1,701,969</u>	<u>\$ -</u>	<u>\$ 4,778,685</u>	<u>\$ 11,096,154</u>

COUNTY OF SALEM, STATE OF NEW JERSEY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2017

State Funding Department/Program Title	State Account Number	Program or Award Amount	Grant Period		Cash Received	2017 Expenditures	Cumulative Expenditures
			From	To			
Department of Environmental Protection							
County Environmental Health Act (CEHA)	100-042-4825-072-V83K-6010	\$ 134,182	7/1/15	6/30/16	\$ -	\$ 19,762	\$ 234,798
County Environmental Health Act (CEHA)	495-042-4855-001-V83K-6010	135,382	7/1/16	6/30/17	114,956	4,860	134,358
County Environmental Health Act (CEHA)	495-042-4855-001-V83K-6010	134,282	7/1/17	6/30/18	-	50,491	179,989
Mosquito Identification and Control Activities	100-042-4800-076-V42Y-6010	29,000	6/24/16	10/31/16	28,707	-	28,707
Mosquito Identification and Control Activities	100-042-4800-076-V42Y-6010	4,150	8/1/16	7/31/17	4,150	-	-
Total Department of Environmental Protection		436,996			147,813	75,113	577,852
Department of Labor							
One Stop / WIA	Unknown	1,408,633	7/1/14	6/30/15	-	58,716	120,210
One Stop / WIA	Unknown	1,261,166	7/1/15	6/30/16	32,447	-	-
One Stop / WIA	Unknown	1,452,321	7/1/16	6/30/17	1,148,923	838,095	999,313
One Stop / WIA	Unknown	1,268,244	7/1/17	6/30/18	201,400	201,440	201,440
Total Department of Labor		5,390,364			1,382,770	1,098,252	1,320,964
Department of Health and Senior Services							
Right to Know	100-046-4771-105-6110	8,786	7/1/16	6/30/17	6,590	4,697	8,779
Right to Know	100-046-4771-105-6110	8,786	7/1/17	6/30/18	2,197	4,215	4,215
State Health Insurance Assistance Program (SHIP)	DACS11SHP008	27,000	4/1/16	3/31/17	21,807	6,349	27,001
State Health Insurance Assistance Program (SHIP)	DACS11SHP008	33,000	4/1/17	3/31/18	11,792	21,158	21,158
MIPPA Outreach & Enrollment	DOAS13MPA008	40,000	11/1/15	9/30/16	1,000	-	40,000
MIPPA Outreach & Enrollment	DOAS13MPA008	40,000	11/1/16	9/30/17	33,500	40,000	40,000
MIPPA Outreach & Enrollment	DOAS13MPA008	40,000	11/1/17	9/30/18	-	114	114
Alcoholic Treatment Program	4240-100-046-4252-024-J002-6110	234,058	1/1/15	12/31/15	-	(27)	227,332
Alcoholic Treatment Program	4240-100-046-4252-024-J002-6110	233,074	1/1/16	12/31/16	56,993	(21,339)	205,374
Alcoholic Treatment Program	4240-100-046-4252-024-J002-6110	233,916	1/1/17	12/31/17	-	221,422	221,422
Special Child Health and Early Intervention	4220-100-046-4572-129-J002-6140	40,914	7/1/16	6/30/17	40,763	30,013	54,080
Special Child Health and Early Intervention	4220-100-046-4572-129-J002-6140	40,966	7/1/17	6/30/18	9,044	23,568	30,013
Total Department of Health and Senior Services		980,500			183,685	330,169	879,487

COUNTY OF SALEM, STATE OF NEW JERSEY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2017

State Funding Department/Program Title	State Account Number	Program or Award Amount	Grant Period		Cash Received	2017 Expenditures	Cumulative Expenditures
			From	To			
<u>Juvenile Justice Commission</u>							
State/Community Partnership	Unknown	200,966	1/1/16	12/31/16	139,560	123,295	162,235
State/Community Partnership	Unknown	200,966	1/1/17	12/31/17	28,875	123,850	123,850
Family Court Services	Unknown	100,261	1/1/16	12/31/16	71,002	87,267	87,267
Family Court Services	Unknown	100,261	1/1/17	12/31/17	13,322	35,107	35,107
Total Juvenile Justice Commission		602,454			252,759	369,519	408,459
<u>Department of Human Services</u>							
PASP - Personal Assistance Services	7570-100-054-7570-361-LLLL-6130	11,114	1/1/16	12/31/16	-	926	11,114
PASP - Personal Assistance Services	7570-100-054-7570-361-LLLL-6130	11,114	1/1/17	12/31/17	9,262	10,188	20,376
Total Department of Human Services		22,228			9,262	11,114	31,490
<u>Department of Law and Public Safety</u>							
Prosecutor Insurance Fraud Reimbursement	Unknown	150,241	1/1/16	12/31/16	68,266	-	214,123
Prosecutor Insurance Fraud Reimbursement	Unknown	250,000	1/1/17	12/31/17	203,266	211,130	211,130
Body Armor Replacement - Sheriff	1020-718-066-1020-001	18,854	7/1/14	6/30/15	4,153	11,925	31,997
Body Armor Replacement - Sheriff	1020-718-066-1020-001	17,903	7/1/15	6/30/16	17,855	6,998	6,998
Body Armor Replacement - Prosecutor	1020-718-066-1020-001	2,268	7/1/15	6/30/17	2,187	2,268	2,268
Body Armor Replacement - Prosecutor	1020-718-066-1020-001	2,184	7/1/16	6/30/18	-	544	544
Total Department of Law and Public Safety		441,450			295,726	232,865	467,060
<u>Department of State</u>							
Local Arts Program	2530-100-074-2530-032-S003-6130	46,843	1/1/16	12/31/16	11,710	7,961	45,168
Local Arts Program	2530-100-074-2530-032-S003-6130	46,843	1/1/17	12/31/17	42,158	35,850	35,850
Historical Commission Grant	08 HIST 166 AGO	14,310	7/1/16	6/30/17	-	9,983	16,584
Total Department of State		107,996			53,868	53,794	97,602

COUNTY OF SALEM, STATE OF NEW JERSEY

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2017

State Funding Department/Program Title	State Account Number	Program or Award Amount	Grant Period		Cash Received	2017 Expenditures	Cumulative Expenditures
			From	To			
Department of Treasury							
Governor's Council on Alcoholism and Drug Abuse							
Muni. Alliance to Prevent Alcoholism & Drug Abuse	2000-100-082-C001-044-0999-6010	137,801	7/1/14	6/30/15	63,776	-	215,728
Muni. Alliance to Prevent Alcoholism & Drug Abuse	2000-100-082-C001-044-0999-6010	137,801	7/1/15	6/30/16	51,165	87,712	111,062
Muni. Alliance to Prevent Alcoholism & Drug Abuse	2000-100-082-C001-044-0999-6010	137,801	7/1/16	6/30/17	-	29,068	29,068
Total Department of Treasury		413,403			114,942	116,780	355,858
Department of Transportation							
New Jersey Transit							
Senior Citizen and Disabled Resident Trans. Prog.	N.J. Transit Corp.	559,708	1/1/15	12/31/15	-	223,766	405,306
Senior Citizen and Disabled Resident Trans. Prog.	N.J. Transit Corp.	537,574	1/1/16	12/31/16	182,682	46,226	46,226
Senior Citizen and Disabled Resident Trans. Prog. Section 5311	N.J. Transit Corp.	327,180	1/1/17	12/31/17	81,158	281,660	281,660
	N.J. Transit Corp.	335,028	1/1/15	12/31/16	-	24,275	24,275
State Aid Highway Projects							
2013 County Aid Improvement Program	6320-480-078-6320-TCAP-6010	1,807,000	Project Completion		-	503,418	1,807,000
2014 County Aid Improvement Program	6320-480-078-6320-TCAP-6010	2,365,000	Project Completion		2,146,557	1,170,078	5,216,366
2017 County Aid Improvement Program	6320-480-078-6320-TCAP-6010	2,399,200	Project Completion		-	464,806	464,806
State Rail Plan (2011)	Unknown	1,350,000	Project Completion		556,345	495,880	1,645,717
Short Line Track Rehabilitation Phase VI	Unknown	1,891,127	Project Completion		1,065,089	-	2,075,077
Short Line Track Rehabilitation Area Improvements	Unknown	3,000,000	Project Completion		2,598,604	3,000,000	3,000,000
Replacement of Webster's Mill Bridge	Unknown	1,000,000	Various		250,000	-	-
Total Department of Transportation		15,571,817			6,880,436	6,210,108	14,966,432
Department of Military and Veterans Affairs							
Veterans Transportation	Unknown	13,000	7/1/15	6/30/16	7,577	7,565	24,207
Veterans Transportation	Unknown	13,000	7/1/16	6/30/17	2,587	6,522	11,957
Total Department of Military and Veterans Affairs		26,000			10,164	14,087	36,164
Other State Programs							
NJ Dept of Emergency Management - RERP	Unknown	250,003	7/1/16	6/30/17	230,638	201,324	227,254
NJ Dept of Emergency Management - RERP	Unknown	258,988	7/1/17	6/30/18	-	193,796	219,726
Total Other State Programs		508,991			230,638	395,120	446,980
Total Expenditures of State Financial Assistance		\$ 24,502,199			\$ 9,562,062	\$ 8,906,919	\$ 19,588,346

COUNTY OF SALEM, STATE OF NEW JERSEY

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

A. GENERAL

The accompanying schedules of expenditures present the activity of all federal and state financial assistance programs of the County of Salem, State of New Jersey (the "County"). The County is defined in Note A to the County's financial statements – regulatory basis. The County is the prime sponsor and recipient of various federal and state grant funds. The County has delegated the administration of grant programs and the reporting function to various departments within the County. Substantially all grant and program cash funds are commingled with the County's other funds, although each grant is accounted for separately within the County's financial records. The Treasurer's Office of the County performs accounting functions for all grants.

B. BASIS OF ACCOUNTING

The accompanying schedules of financial assistance are presented using the modified accrual basis of accounting in accordance with the "Requirements of Audit" as promulgated by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the County accounts for its financial transactions through separate funds, which differ from the funds required by accounting principles generally accepted in the United States of America ("GAAP").

Modifications to the accrual basis:

- a. Expenditures are recorded on the Schedules of Expenditures of Federal Awards and State Financial Assistance when encumbered.
- b. Prepaid expenditures are not recorded.
- c. Obligations for employees' vested vacation and sick leave are recorded when paid.
- d. Revenues are recorded when anticipated in the budget.
- e. Property and equipment purchased are recorded as expenditures at the time of purchase and are not capitalized.

C. COMMITMENTS AND CONTINGENCIES

Each of the grantor agencies reserves the right to conduct additional audits of the County's grant programs for economy, efficiency and program results. However, the County management does not believe such audits would result in material amounts of disallowed costs.

The County has entered into various contracts with sub-recipients and other contractors to perform services or provide goods in the effort to administer such grants. Thus, the County has commitments to meet various conditions of such contracts.

COUNTY OF SALEM, STATE OF NEW JERSEY

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)

D. PUBLIC ASSISTANCE GRANTS

The County is the recipient of Public Assistance Grants which have been audited separately and are not included in the Schedules of Financial Assistance contained in this report. This program is for the operations of the County Welfare Department.

E. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the County's basic financial statements – regulatory basis. Financial assistance revenues and expenditures are reported in the County's basic financial statements on the basis of accounting prescribed by the State of New Jersey, Department of Community Affairs, Division of Local Government Services.

	<u>Expenditures</u>
Grant Appropriated Reserves	\$ 18,115,873
Less: Non Federal or State Funded Expenditures	(110,110)
Less: Liquidation of Prior Year Encumbrances	(3,782,191)
Less: Reimbursements	(212,968)
Less: County Match	(325,000)
	<u>\$ 13,685,604</u>
Reported on:	
Schedule of Expenditures of Federal Awards	\$ 4,778,685
Schedule of State Financial Assistance	8,906,919
	<u>\$ 13,685,604</u>

F. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

G. INDIRECT COST RATE

The County does not have an indirect cost rate nor does it use the default rate of 10%.

COUNTY OF SALEM, STATE OF NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Qualified*

Internal control over financial reporting:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified? Yes X None Reported
- Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? X Yes No
- Significant deficiencies identified? Yes X None Reported

Type of auditors' report issued on compliance for major federal programs: *Qualified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? X Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of State Program or Cluster</u>
20.933	National Infrastructure Investments
93.045	Area Plan Grant

Dollar threshold used to determine Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

COUNTY OF SALEM, STATE OF NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) Year Ended December 31, 2017

Section II – Financial Statement Findings

A qualified opinion was issued on the basic financial statements of the County as of and for the year ended December 31, 2017.

As it relates to internal control over financial reporting the audit of the County disclosed three material weaknesses and no significant deficiencies in connection with the basic financial statements of the County of Salem, State of New Jersey as of and for the year ended December 31, 2017. Two of the three material weaknesses identified also indicated instances of noncompliance material to the financial statements that were required to be reported under *Government Auditing Standards*.

COUNTY OF SALEM, STATE OF NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) Year Ended December 31, 2017

Section III – Findings and Questioned Costs Relating to Federal Awards and State Financial Assistance.

Finding 2017-001

All Federal and State Programs

Criteria

The County is required to maintain ongoing grant expenditure records enabling the timely preparation of schedules of expenditures of federal awards and state financial assistance ("schedules") and submission of the audit to the federal clearinghouse and other applicable parties.

Condition

The County did not complete the schedules in a timely manner, thus was unable to file the audit with the federal clearinghouse in a timely manner.

Cause

The County did not have adequate staffing in place to ensure proper completion of the schedules.

Effect

The schedules were not completed timely and needed various adjustments, delaying the submission to the federal clearinghouse.

Questioned Costs

None noted.

Perspective Information

This finding represents an isolated instance.

Recommendation

We recommend that the County implement procedures to ensure the schedules are completed adequately and the audit is submitted to the federal clearinghouse in a timely manner.

View of Responsible Official

The County's management has reviewed the above finding and is in agreement and will complete a corrective action plan in 45 days.

Finding 2017-002

All Federal and State Programs

Criteria

The County is required to maintain ongoing records of expenditures to subrecipients of federal awards and include the expenditure information on the schedule of expenditures of federal awards.

COUNTY OF SALEM, STATE OF NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) Year Ended December 31, 2017

Finding 2017-002 (Continued)

Condition

The County did not maintain ongoing records of expenditures to subrecipients, thus was unable to include this expenditure information in the schedule of expenditures of federal awards.

Cause

The County does not have adequate controls in place to ensure proper tracking and reporting of expenditures to subrecipients.

Effect

The schedule of expenditures of federal awards was not completed accurately.

Questioned Costs

None noted.

Perspective Information

This finding represents an isolated instance.

Recommendation

We recommend that the County implement procedures to ensure subrecipients are appropriately identified and expenditures to these entities are tracked and reported accurately in order to ensure the schedule of expenditures of federal awards is properly completed.

View of Responsible Official

The County's management has reviewed the above finding and is in agreement and will complete a corrective action plan in 45 days.

Finding 2017-003

U.S. Department of Health and Human Services – Area Plan Grant (93.045)

Criteria

The County is required to properly budget for and track expenditures of federal awards by CFDA number and cluster, as applicable, in the County's accounting system.

Condition

The County did not properly budget for and track expenditures of federal awards by CFDA number and cluster, as applicable, in the County's accounting system. Area Plan expenditures were reported on the schedule of expenditures of federal awards under CFDA number 93.045 instead of the proper breakdown between the various Area Plan programs and clusters under CFDA numbers 93.043, 93.044, 93.045, 93.052, 93.053, and 93.778. Similarly, State funded portions of Area Plan awards and expenditures were not separated from the Federally funded portions for reporting purposes. Programmatically, however, the County Health and Human Services department responsible for managing the Area Plan grant funds did track and spend funds in line with proper funding sources and requirements.

COUNTY OF SALEM, STATE OF NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) Year Ended December 31, 2017

Finding 2017-003 (Continued)

Cause

The County does not have adequate controls in place to ensure proper tracking and reporting of expenditures by program.

Effect

The schedule of expenditures of federal awards and the schedule of expenditures of state financial assistance were not completed accurately. Additionally, the budget process and manner of tracking of expenditures in the County accounting system delayed payments to vendors and made it difficult to reconcile accounting system information to the financial records of the department managing the program.

Questioned Costs

None noted.

Perspective Information

This finding represents an isolated instance.

Recommendation

We recommend that the County implement procedures to ensure the schedules are completed adequately and the audit is submitted to the federal clearinghouse in a timely manner.

View of Responsible Official

The County's management has reviewed the above finding and is in agreement and will complete a corrective action plan in 45 days.

Finding 2017-004

U.S. Department of Health and Human Services – Area Plan Grant (93.045)

Criteria

The County is required to properly track advanced funds and receipts of federal awards in the County's accounting system.

Condition

The County commingled Area Plan grant receipts and advanced funds with other County funds and grants.

Cause

The County does not have adequate controls in place to ensure proper tracking and reporting of receipts by program.

COUNTY OF SALEM, STATE OF NEW JERSEY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2017

Finding 2017-004 (Continued)

Effect

The advanced funds and receipts, as well as the available budget for the Area Plan grant programs, were difficult to trace and reconcile. Correcting transfers and adjustments had to be made on the County accounting system to correct for the errors and certain corrections were duplicated.

Questioned Costs

None noted.

Perspective Information

This finding represents an isolated instance.

View of Responsible Official

The County's management has reviewed the above finding and is in agreement and will complete a corrective action plan in 45 days.

COUNTY OF SALEM, STATE OF NEW JERSEY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2017

None reported.